

Section 12

Cable Television System Franchise Fee, 2006*

The *Code of Virginia*, § 15.2-2108, grants local governments the authority to grant a license or franchise, or to issue certificates of public convenience and necessity to one or more cable television systems. However, in order to issue more than one license, franchise, or certificate of public convenience, the governing body must hold a public hearing to determine if the public welfare will be enhanced by additional awards. The public hearing should take testimony concerning "... the economic consideration, the impact on private property rights, the impact on public convenience, the public need and potential benefit," and other factors that may be relevant.

The rate cannot exceed 5 percent of gross revenue. The *Code* authorizes providers to pass on to end-user subscribers itemized line charges. This is in accordance with the *United States Code*, Title 47, Section 542 (section 622 of the Cable Act), that requires that a franchise fee be no more than 5 percent of the cable operator's annual gross revenue. Cable operators are permitted to pass franchise fees through to subscribers. However, the *U.S. Code* also states that "... any cable operator shall pass through to subscribers the amount of any decrease in a franchise fee."

Table 12.1 presents the local franchise fees for cable television companies for the 29 cities, 47 counties, and

88 towns that reported them in effect during the 2006 tax year. The reported tax ranges from 3 percent to 7 percent (Richmond) in the cities. The median charge for cities is 5 percent. For counties, the franchise fees range from 0.5 percent (Floyd County) to 10 percent (Buckingham County) with the median at 5 percent. The median fee for towns stands at 5 percent, with local fees ranging anywhere from 0.5 percent (Chilhowie) to 7 percent (Saint Charles). The following table summarizes the different charges reported by localities:

Cable TV Franchise Fee

	Cities	Counties	Towns	Total
Under 5%	6	18	41	65
5%	22	28	46	96
Over 5%	1	1	1	3
Total	29	47	88	164

Localities also reported on the number of cable providers and whether a BPOL tax was levied. Three cities reported having multiple cable providers, while 18 counties and four towns reported multiple providers. Twenty-two cities report levying a BPOL tax on cable providers while 18 counties and 16 towns report doing so.



*The cable television system franchise fee will be eliminated on January 1, 2007 under new legislation provided in HB 568 (Chapter 780), from the 2006 general session. Under the new legislation, several local taxes, **including the cable television system franchise tax**, the local E-911 fees on landline phone service, the business license taxes in excess of 0.5 percent gross revenues collected by several localities, the local consumer utility taxes on landline and wireless phones, and the local consumer utility tax on cable television service ("grandfathered" in a few localities), will be eliminated in favor of a tax on customers of communications services. The Communications Sales and Use Tax will be imposed at a rate of 5 percent of the sales price of the service. More information can be found in the Virginia Municipal League's magazine, *Virginia Town and City*, in two articles: "Collect Call: New Telecommunications Tax Law Required a Giant Leap of Faith" (May, 2006), found on the web at <http://www.vml.org/VTC/VTC4105-1.html> (9/28/2006), and "Have a Question About the New State Telecommunications Tax Law? We Have the Answer..." (June, 2006), found on the web at <http://www.vml.org/VTC/VTC4106-2.html> (9/28/2006).

Table 12.1
Cable Television System Tax, 2006

Locality	Franchise Fee on Gross Receipts (%)	Multiple Cable Providers	Cable BPOL Tax
Cities (Note: All cities responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)			
Alexandria	3.0	No	No
Bedford	3.0	No	Yes
Bristol	N/A	Yes	No
Buena Vista	5.0	No	Yes
Charlottesville	N/A	No	Yes
Chesapeake	5.0	No	Yes
Colonial Heights	3.0	No	No
Covington	3.0	No	Yes
Danville	5.0	No	No
Emporia	N/A	No	Yes
Fairfax	5.0	No	Yes
Falls Church	N/A	Yes	No
Fredericksburg	5.0	Yes	Yes
Hampton	5.0	No	Yes
Harrisonburg	5.0	No	Yes
Hopewell	5.0	No	No
Lexington	5.0	No	Yes
Lynchburg	5.0	No	No
Manassas	5.0	No	Yes
Manassas Park	5.0	No	Yes
Martinsville	5.0	No	Yes
Newport News	5.0	No	No
Norfolk	5.0	No	Yes
Norton	3.0	No	No
Petersburg	5.0	No	No
Poquoson	5.0	No	Yes
Portsmouth	5.0	No	Yes
Radford	5.0	No	No
Richmond	7.0	No	Yes
Roanoke	5.0	No	Yes
Salem	N/A	No	Yes
Staunton	5.0	No	No
Suffolk	5.0	No	No
Virginia Beach	N/A	No	Yes
Waynesboro	3.0	No	Yes
Counties (Note: All counties responded to the survey. Those that answered "not applicable" for all items are excluded.)			
Accomack	5.0	No	No
Albemarle	N/A	No	Yes
Alleghany	5.0	Yes	No
Amherst	3.0	No	Yes
Arlington	4.0	No	No
Augusta	N/A	No	Yes
Bedford	3.0	Yes	No
Bland	N/A	Yes	No
Botetourt	N/A	No	Yes
Brunswick	N/A	Yes	No
Buchanan	1.0	Yes	No
Buckingham	10.0	No	No
Campbell	N/A	No	Yes
Caroline	\$1.00 per customer ^a	Yes	Yes
Carroll	5.0	Yes	No
Charlotte	5.0	No	No
Chesterfield	5.0	No	Yes
Culpeper	5.0	No	No
Cumberland	5.0	No	No
Dinwiddie	5.0	No	No

N/A Not applicable.

^a The total received from Caroline County's charge of \$1 per customer cannot exceed 5 percent of gross receipts.

Table 12.1 Cable Television System Tax, 2006 (continued)

Locality	Franchise Fee on Gross Receipts (%)	Multiple Cable Providers	Cable BPOL Tax
Counties (continued)			
Fairfax	5.0	Yes	Yes
Fauquier	5.0	No	No
Floyd	0.5	No	No
Franklin	5.0	No	No
Frederick	4.4	No	No
Giles	5.0	No	No
Gloucester	5.0	No	Yes
Greensville	N/A	No	Yes
Halifax	5.0	No	No
Hanover	5.0	No	No
Henrico	5.0	No	No
Henry	N/A	No	No
Isle of Wight	5.0	No	No
James City	5.0	No	No
King & Queen	3.0	No	No
Lancaster	3.0	No	No
Lee	5.0	Yes	No
Loudoun	5.0	No	No
Mathews	N/A	No	Yes
Mecklenburg	N/A	Yes	No
Nelson	N/A	No	Yes
New Kent	3.0	No	No
Northampton	5.0	No	No
Northumberland	3.0	Yes	No
Nottoway	N/A	No	Yes
Orange	3.0	No	No
Patrick	3.0	No	No
Pittsylvania	N/A	Yes	No
Prince Edward	5.0	No	No
Prince George	3.0	No	Yes
Prince William	5.0	No	Yes
Richmond	3.0	No	No
Roanoke	5.0	Yes	No
Smyth	3.0	No	No
Southampton	5.0	No	Yes
Spotsylvania	3.0	No	No
Stafford	3.0	Yes	No
Tazewell	N/A	Yes	No
Warren	N/A	No	Yes
Washington	N/A	Yes	No
Westmoreland	5.0	No	No
Wise	5.0	Yes	No
Wythe	3.0	Yes	No
York	N/A	No	Yes
Towns (Note: Towns that answered "not applicable" for all items in this table are excluded. For a listing of town respondents and non-respondents, see Appendix B.)			
Abingdon	5.0	No	Yes
Altavista	3.0	No	No
Appomattox	3.0	No	Yes
Big Stone Gap	N/A	No	Yes
Blacksburg	5.0	No	Yes
Blackstone	0.5	No	No
Bluefield	5.0	No	No
Bowling Green	4.0	No	No
Boyce	5.0	No	No
Bridgewater	5.0	No	No
Brodnax	3.0	No	No
Cape Charles	5.0	Yes	No
Cedar Bluff	5.0	No	No
Chase City	4.0	Yes	No
Chilhowie	0.5	No	Yes

N/A Not applicable.

Table 12.1 Cable Television System Tax, 2006 (continued)

Locality	Franchise Fee on Gross Receipts (%)	Multiple Cable Providers	Cable BPOL Tax
Towns (continued)			
Chincoteague	2.0	No	No
Christiansburg	5.0	Yes	No
Clarksville	3.0	No	No
Clifton Forge	5.0	No	No
Clintwood	5.0	No	No
Coeburn	3.0	No	No
Courtland	3.0	No	No
Crewe	5.0	No	No
Culpeper	5.0	No	No
Damascus	5.0	No	No
Dayton	5.0	No	Yes
Dillwyn	5.0	No	No
Drakes Branch	3.0	No	No
Dublin	3.0	No	No
Elkton	N/A	No	Yes
Farmville	5.0	No	No
Floyd	\$500	No	No
Fries	3.0	No	No
Front Royal	5.0	No	No
Glasgow	3.0	No	No
Goshen	5.0	No	No
Gretna	5.0	No	Yes
Hamilton	5.0	No	No
Haysi	1.0	No	No
Herndon	5.0	Yes	No
Hillsville	5.0	No	No
Hurt	3.0	No	No
Iron Gate	3.0	No	No
Irvington	3.0	No	No
Keller	3.0	No	No
Kenbridge	3.0	No	No
Keysville	3.0	No	No
Kilmarnock	1.46	No	Yes
La Crosse	1.0	No	No
Lebanon	3.0	No	Yes
Leesburg	5.0	No	Yes
Lovettsville	5.0	No	No
Luray	5.0	No	No
Marion	N/A	No	Yes
McKenney	5.0	No	No
Montross	2.0	No	No
Narrows	3.0	No	No
New Castle	3.0	No	No
New Market	N/A	No	Yes
Occoquan	5.0	No	No
Onancock	5.0	No	Yes
Orange	3.0	No	No
Pamplin	5.0	No	No
Pearisburg	5.0	No	No
Pennington Gap	5.0	No	No
Pound	5.0	No	No
Remington	N/A	No	Yes
Rocky Mount	5.0	No	No
Round Hill	5.0	No	No
Rural Retreat	3.0	No	No
Saint Charles	7.0	No	No
Saint Paul	0.5	No	No
Scottsville	3.0	No	Yes
Shenandoah	5.0	No	No
Smithfield	5.0	No	No

N/A Not applicable.

Table 12.1 Cable Television System Tax, 2006 (continued)

Locality	Franchise Fee on Gross Receipts (%)	Multiple Cable Providers	Cable BPOL Tax
Towns (continued)			
South Boston	0.5	No	No
Strasburg	3.0	No	No
Tappahannock	4.0	No	No
Tazewell	3.0	No	No
Timberville	5.0	No	No
Vienna	5.0	No	No
Vinton	5.0	No	No
Wakefield	3.0	No	No
Warrenton	5.0	No	No
Warsaw	3.0	No	No
Washington	3.5	No	No
Waverly	5.0	No	No
West Point	5.0	No	No
White Stone	4.0	No	No
Windsor	5.0	No	No
Wise	5.0	No	No
Woodstock	5.0	No	No
Wytheville	3.0% on 1st \$65,300 4.0% on next \$42,200 6.0% on over \$98,500	No	No
N/A Not applicable.			